Flow Capital

Flow Capital Q2 2026 Earnings Release Conference Call

This transcript has been edited and condensed for clarity.

Operator

Good morning, ladies and gentlemen, and welcome to Flow Capital's Q2 2026 earnings call.

Today's discussion may contain forward-looking statements that reflect current views with respect to future events. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. For more information on Flow Capital's risks and uncertainties related to forward-looking statements, please refer to the Q2 2026 Company's Management Discussion and Analysis, available on SEDAR.

Today's call is being recorded on Friday, August 21, 2026.

I would now like to turn the meeting over to Alex Baluta, Chief Executive Officer of Flow Capital.

Alex Baluta

Thank you very much, Joelle. I'm joined on the call today by our new CFO, Matthew Gan. I appreciate everybody attending. As Joelle mentioned, our results are also available on our website and filed on SEDAR.

Today, we're reporting our Q2 2026 financial results, another good quarter.

Q2 2026 Highlights

- Revenue from loan interest and royalty income increased 30% to $4.2 million, up from $3.2 million a year ago.
- Free cash flow increased 88% to $1.66 million, up from $884,000 a year ago.
- Free cash flow per share increased 96% to approximately $0.06 per share, up from $0.03 per share last year.
- Book value per share increased 14% to $1.34, up from $1.17 in the prior year.
- Aggregate equity book value increased from $35.7 million to $39.3 million.
- Successful exits contributed approximately $1.0 million to free cash flow through fees and prepayments associated with early repayments. Foreign exchange also provided a modest benefit in the quarter.

Deployment & Market Environment

It was a somewhat disappointing quarter on the deployment side, despite the solid financial results. We deployed no new cash in Q2 and had several repayments. However, we have already deployed more than $9 million in Q3 to date.

For more than a year, the industry has faced headwinds, including increased competition, excess capital, and more players entering the lower end of the market. As we've discussed before, our evergreen model means we are under no pressure to deploy capital, allowing us to remain selective.

We are now starting to see the environment stabilize and improve. Our pipeline has strengthened meaningfully, with a growing number of high-quality opportunities. While slower deployment over the past 12 months has moderated recurring revenue growth, we believe that trend is beginning to reverse.

Equity Investments

Over the last several quarters, we have also been making equity investments in both private and public companies. This is not a broad diversification of our strategy; it is an extension of the expertise we already have. The investments are modest, several million dollars within an asset pool of more than $80 million, but we believe our in-house experience evaluating high-growth companies gives us opportunities to make selective investments when the risk-return profile is attractive.

There have been situations where we put forward a debt term sheet but, for one reason or another, did not complete the transaction, and the underlying equity later increased significantly. We believe selectively participating in those kinds of opportunities can add value for shareholders.

We now have more than 40 holdings in aggregate. The vast majority are tied to loans, warrants, and other equity-like upside, associated with our primary business of making senior secured loans to high-growth companies. We also now hold some direct equity positions in public and private companies, which is increasingly helping diversify the portfolio.

Corporate Updates

Matthew Gan is our new CFO following the retirement of Michael Denny. Matt was promoted internally after joining Flow five years ago, later taking over our credit function, and most recently moving into the CFO role. I welcome Matt and look forward to his helping us continue to grow the company over the coming years.

We also moved our listing from the TSX Venture Exchange to the Canadian Securities Exchange. From our perspective, the CSE is a better and more cost-efficient exchange, including with respect to potential future financing fees. We do not expect the move to have a meaningful impact on trading, and it has increased our accessibility to U.S. investors. The transition has been very smooth.

Over the last seven years, Flow Capital has also been an active buyer of its own stock. Year to date, we have acquired and retired approximately 161,000 shares. Over the last seven years, we have acquired and retired more than 17 million shares at a total cost of just under $7 million, or approximately $0.39 per share. We believe that has been an excellent use of capital for shareholders.

AI & Internal Tools

We continue to invest in the development of AI and internal tools that are providing leverage and better insight into our business and opportunities.

Those tools include Florence, our AI Chief Marketing Officer; an AI SDR/BDR business outreach tool currently in development; a competitive deal analysis tool that helps us track transactions in our industry; a deal-scoring tool that is helping accelerate due diligence; and a number of dashboards that provide additional insight and metrics.

We strongly believe in the principle that you cannot manage what you do not measure, and these dashboards are giving us better visibility into our own business. Many quarters ago, Matt also spearheaded the rollout of Chronograph, which we use to manage our portfolio. We expect to continue investing in these tools over time.

Conclusion

In summary, thank you everybody for attending the call. It was another decent quarter. We are very encouraged by the activity we are seeing in our pipeline.

Our portfolio remains healthy, our internal efficiency continues to improve, and I look forward to speaking with you in three months.

Operator

This concludes today’s conference call. Thank you for your participation.